DEPARTMENT OF STATE

FOR THE PRESS

FEBRUARY 2, 1948
NO. 77

DEPARTMENT OF STATE A/CDC/MR
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CONFIDENTIAL RELEASE FOR PUBLICATION AT 12:00 NOON, E.S.T., MONDAY, FEBRUARY 2, 1948. NOT TO BE PREVIOUSLY PUBLISHED, QUOTED FROM OR USED IN ANY WAY.

A Treaty of Friendship, Commerce and Navigation between the United States and Italy was signed today in Rome. Ambassador Dunn signed for this Government and Count Carlo Sforza, Minister of Foreign Affairs, for the Italian Republic.

This is the first comprehensive commercial treaty concluded by the United States with a European country since 1934, and the first treaty of its type signed by Italy since the conclusion of peace. It replaces the treaty of friendship, commerce and navigation concluded with Italy in 1871, following the unification of that country. The former treaty was terminated December 15, 1937, by mutual agreement, but efforts to work out a more modern and comprehensive treaty at that time proved unsuccessful.

The treaty, which is based in general upon the principle of mutuality, establishes standards to govern relations between the two countries in many fields of activity. It includes articles relating to the status and activities of persons and corporations, protection of persons and property, landholding, freedom of information, treatment of vessels, commercial principles comparable to those in the proposed Charter for an International Trade Organization, and provisions concerning such matters as exchange control, transit, industrial property, et cetera.

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Preliminary conversations on the treaty were held in the Department with the Italian Financial and Economic Delegation, which was headed by Mr. Lombardo, in May and June of 1947, while formal negotiations were opened in Rome on September 16.

A copy of the text of the treaty signed today is attached.

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Comm Treaty III
Italy

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COMPARISON OF THE TREATY WITH ITALY, SIGNED FEBRUARY 2, 1948, WITH PREVIOUS TREATIES OF FRIENDSHIP, COMMERCE AND NAVIGATION CONCLUDED BY THE UNITED STATES

In the period from 1923 to 1938, during which the Department of State was engaged in an extensive program directed to the conclusion of treaties of friendship, commerce and navigation, about a dozen treaties of this general type were concluded, including treaties with Germany (1923), Austria (1928), El Salvador (1926), Finland (1934), Honduras (1927), Hungary (1925), Norway (1928), Latvia (1928), Poland (1931), Siam (1937), and Liberia (1938). These treaties differ among themselves as to detail, but are generally similar. The last two in the group, the treaties with Siam and Liberia, have more points in common with the treaty with Italy now under consideration, than do the earlier ones in the group.

For the purpose of more detailed comparison with the treaty with Italy, the treaty with Norway, signed at Washington June 5, 1928, (IV Treaties (Trenwith) 4527), may be taken as representative of the group enumerated in the preceding paragraph. There are a few quite obvious differences between the two treaties. The Norway treaty deals extensively with consular rights. This is true of most, but not all of the treaties in the 1923-1938 group. It is now the practice of the Department of State to deal with these matters in separate Consular conventions.

Much subject matter is common to the two treaties and the standards of treatment established is the same in a large number of the provisions. In the treaty with Italy, however, most of the provisions have been re-stated with the object of making them more specific, more explicit, of adapting them more fully to the coverage of situations which experience has indicated are likely to arise, and of bringing them wherever practicable into more complete accord with United States law and judicial decisions thereunder.

There follows a tabular comparison of the provisions of the two treaties:

(NOTE: The statements in the following tabulation are designed to provide guidance to and to facilitate the consultation of the provisions of the two treaties to which they refer, and should not be construed as interpretations of those provisions.)

SUBJECT	TREATY WITH ITALY	TREATY WITH NORWAY
1. Entry of Persons	Art. I(1,3), XXIV(7). Rights of entry, travel and residence, limited by reservation covering immigration laws.	Art. I and Additional Article. Provisions comparable, though differently stated.
2. Activities of Persons	Art. I. Rights to carry on specified activities on national treatment basis, and to acquire buildings and lease lands for specified purposes.	Art. I. Provisions comparable, though differently stated. List of activities somewhat more restricted than in Italian treaty.

would be an agreement for the exemption from taxation in one country of the shipping profits of companies of the other. Obviously, the exemption could not be extended to another country which did not accord a reciprocal exemption. The original item 5(c) in the basic draft would allow Nicaragua to extend to residents of Isthmian countries the same type of advantages with respect to personal exemptions that the United States accords to residents of Canada and Mexico. The United States will need its original proposal contained in the basic draft in order to cover a clause of U.S. tax law regarding residents of Canada and Mexico. Thereunder such residents are entitled to dependency exemptions to the same extent as citizens (i.e., $600 for each), whereas other non-resident aliens can claim but one exemption regardless of their dependents. The test is residence and not nationality, and it is understood that the clause is designed especially to afford equitable relief to workers who commute daily across the border (e.g., between their homes in Windsor and their jobs in Detroit). The revision contained in the Ministry of Economy draft would preclude the United States from extending the foregoing advantages.

Article XII

No change.

Article XIII

No change.

Article XIV, paragraph 6(c)

The Ministry of Economy draft substitutes for this provision in the basic draft a longer provision found in the Colombia Treaty, as follows:

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SUBJECT	TREATY WITH ITALY	TREATY WITH NORWAY
3. Recognition of status of Corporations	Art. II(2), V(4). Juridical status to be recognized and access to courts permitted.	Art. XII. Provisions comparable.
4. Activities of Corporations	Art. II(3). Rights to carry on specified activities on national treatment basis.	Art. XII. No comparable provisions. Activities of corporations made wholly subject to local laws.
5. Participation in Domestic Corporations	Art. III(1). Rights to participate in, manage and control corporations for any purpose on most-favored-nation basis. Art. III(2). Unqualified right to participate in, control and manage corporations for specified activities. Art. III(3). Right for domestic corporations participated in, managed or controlled by nationals of other party to carry on specified activities on basis of national treatment.	Art. XIII. Rights much less extensive than in Italian treaty. Most-favored-nation treatment as to participation in domestic corporations, but right of corporations participated in by aliens to carry on corporate activities wholly subject to the local laws.
6. Development of Mineral Resources	Art. IV. Most-favored-nation treatment with respect to exploration and exploitation.	Art. XIII. Most-favored-nation rights accorded for the mining of coal, phosphate, oil, oil-shale, gas, and sodium on the public domain.
7. Protection of Persons and Property	Art. V(1). Constant protection assured, and rights specified for persons in custody. Protection also to extend to property of corporations. National and most-favored-nation treatment standard applicable in this subject matter.	Art. I. General rule as to protection almost identical with that in Italian treaty, but there is no reference to rights of persons in custody or specific reference to corporations. No reference to national or most-favored-nation treatment.
8. Expropriation	Art. V(2). Right of expropriated person to prompt, just, and effective compensation. Right to withdraw compensation through obtaining foreign exchange. National and most-favored-nation treatment standard applicable in this subject matter.	Art. I, XII. Rule as to compensation almost identical with that in Italian treaty, but no reference to withdrawal of compensation. No reference to national or most-favored-nation treatment.
9. Access to Courts	Art. V. Freedom of access to courts, and right to employ counsel. National and most-favored-nation treatment.	Art. I, XII. General rule on access to courts comparable to that in Italian treaty. No reference to national or most-favored-nation treatment.
10. Freedom from Search	Art. VI. No unlawful entry or molestation. National treatment as to conditions and procedures as to lawful entry and search.	Art. III. Provisions comparable with those in Italian treaty.

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SUBJECT	TREATY WITH ITALY	TREATY WITH NORWAY
11. Acquisition of Real Property	Art. VII(1). National treatment for American nationals and corporations in Italy. Rights of Italians in U.S. subject to U.S. laws. Italy not required to accord national treatment to citizens and corporations of States that do not accord national treatment to Italians.	No comparable provision.
12. Succession to Real Property	Art. VII(2). If local law bars alien from succeeding to real property, he shall be allowed at least three years to dispose of property.	Art. IV. Provisions similar to those in Italian treaty.
13. Personal Property	Art. VII(3,4). Right of disposition specified, and charges and restrictions to be no less favorable than those applicable in case of nationals. Most-favored-nation treatment as to acquisition and disposition.	Art. IV. Rights as to disposition comparable to those in Italian treaty. No reference to rights to acquire personal property, or to most-favorednation treatment.
14. Industrial Property	Art. VIII. National and most-favored-nation rights as to patents, trade marks, etc.	No comparable provision.
15. Internal Taxation	Art. IX. Non-discriminatory treatment stated in terms related to provisions of existing U.S. tax legislation. Exception for double-taxation treaties and reciprocity arrangements.	Art. I. National treatment is specified, without exception, except that the national treatment rule is not to apply to taxes related to the exploitation of waterfalls, mines, and forests.
16. Commercial Travelers	Art. X. Most-favored-nation treatment with respect to customs and other rights and privileges.	Art. XIV. Provisions similar to those in the Italian treaty.
17. Religious Activities	Art. I(2), II(3), XI(1). Unqualified right to liberty of conscience and freedom of worship, and to hold religious services. National treatment generally for persons, corporations and associations to carry on religious activities.	Art. I, V. Provisions similar to those in Italian treaty, but without reference to the rights of corporations and associations.
18. Burial of Dead	Art. XI(3). Right to bury dead according to religious customs in suitable and convenient places.	Art. V. Provisions nearly identical with those in Italian treaty.
19. Freedom of Information	Art. XI(2). Adherence to principles of freedom of press and free interchange of information. Freedom of transmission of material to be used abroad for publication.	No comparable provision.

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for preferential advantages that Nicaragua may accord to the other Isthmian countries, in the following terms:

> 4. The provisions of the present Treaty regarding most-favored nation treatment shall not be applied to advantages which the Republic of Nicaragua accords to the other countries of the Central American Isthmus.

This provision was not discussed at any great length with Dr. Baca Muñoz. The Department's officers stated, however, that it would present a serious policy problem for the United States. The Vice Minister responded that it is a matter of great importance for Nicaragua, but that he thought some language associating the exception with "effective steps in a program of regional economic integration in Central America" might be acceptable to his Government.

The policy of the United States with respect to trade preferences is substantially that expressed in the General Agreement on Tariffs and Trade, to which, of course, both countries are parties, viz., that new preferential arrangements should not be made, and that margins of preference in existing arrangements should not be increase It would not be in conflict with this policy to include in the Treaty an exception for any Nicaraguan preferences now in force. It would be difficult, however, to accept language that would cover new preferential arrangements unless they were an integral part of a program for establishing a customs union or free trade area. The version of Article XIV, 6(c), introduced in the Ministry of Economy draft is based upon the provisions of the GATT, and is considered as providing an appropriate exception for programs of economic integration.

The Department's difficulty with regard to an exception of the type proposed arises from its established, commercial foreign policy. In case the Nicaraguan authorities should wish an exception for the

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SUBJECT	TREATY WITH ITALY	TREATY WITH NORWAY
20. Civil Liability for Injury or Death	Art. XII(1). National treatment under laws establishing civil liability or granting to person right of action or pecuniary compensation.	Art. II. Provisions similar to those in Italian treaty.
21. Social Insurance	Art. XII(2). National treatment with respect to application of certain compulsory insurance laws.	No comparable provision.
22. Military Service	Art. XIII. Nationals of one country within other to be exempt from service in armed forces, or contribution in lieu thereof except when two countries are engaged in common military action, when either may draft nationals of other, offering them opportunity to serve in own national forces.	Art. VI. In event of war with third state, either country may draft nationals of other who have declared intention to become citizens of that country, unless such nationals depart within sixty days after declaration of war.
23. Import and Export Duties and Restrictions	Art. XIV. Most-favored-nation treatment generally as to treatment of articles, national treatment as to application of laws to persons.	Art. VII. Provisions generally comparable though differing in some details.
24. Quantitative Restrictions on Imports and Exports	Art. XIV(4). Total quantity or value to be imported or exported to be made public. If quota assigned to one country, other party must be given share based upon representative period.	No comparable provision, except to extent that provisions according most-favored-nation treatment could be construed to cover subject matter.
25. Customs Administration	Art. XV. Laws, etc. to be published. Advances in rates imposed by administrative authority not to apply to articles en route at time of ruling. Procedure for appeal from decision of customs authorities to be provided.	No comparable provision.
26. Treatment of Imported Articles	Art. XVI(1). National treatment of imported articles with respect to internal taxation, sale, distribution or use.	Art. VIII. Same treatment to be accorded imported articles as to domestic articles, but provision is less specific than in Italian treaty.
27. Treatment of Articles Produced in One Country by Nationals and Corporations of Other	Art. XVI(2). National treatment to be accorded.	No comparable provision.

Article XXIV

No change

Article XXV

The Department will examine the question of whether there are any agreements that should be listed as being superseded by the present Treaty. The Nicaraguan Government may wish to make a like examination. If there do not appear to be any such agreements, this Article can be deleted and Article XXVI re-numbered accordingly.

Article XXVI

No change

Protocol, paragraphs 4 and 5

These provisions are discussed above under Article VI, paragraph 2, and Article VIII, paragraph 2, respectively. The new paragraph 4 defining public utilities appearing in the Ministry of Economy draft is acceptable, provided the appropriate adjustment is made in Article VII, paragraph 2.

The exception for "the profession of notary public or port pilot" in the new paragraph 5 suggested in the Ministry of Economy draft is unnecessary, since the Department, as indicated above, cannot now agree to the professions provision in Article VIII, paragraph 2.

If the Nicaraguan authorities wish, the new paragraph regarding awards under Article V, paragraph 2, above, may be added to the Protocol.

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SUBJECT	TREATY WITH ITALY	TREATY WITH NORWAY
28. Export Bounties, etc.	Art. XVI(3). National treatment with respect to export bounties, customs drawbacks, and warehousing.	Art. VIII. Provision comparable to that in Italian treaty.
29. Exchange Controls	Art. XVII. Non-discriminatory treatment in application of such controls, as they affect products, and nationals and corporations.	No comparable provision, except to extent general provision for most-favored-nation treatment could be construed to cover subject matter.
30. (opolies and State Trading	Art. XVIII(1-2). Fair and equitable treatment as to purchases or sales, and purchases and sales to be influenced solely by commercial considerations.	No comparable provision, except to extent general most-favored-nation provision could be construed to cover subject matter.
31. Restrictive Trade Practices	Art. XVIII(3). Harmful effects of such practices recognized, and each party agrees to consult with the other regarding such practices and to take such measures as it deems necessary to eliminate harmful effects.	No comparable provision.
32. Entry of Foreign Vessels	Art. XIX. Recognition of national status of vessels of other. Most-favored-nation treatment for vessels and cargoes as to entry into ports.	Art. VII. Provision comparable to that in Italian treaty, except that in latter "vessels" is defined to include publicly owned and operated vessels as well as those privately owned and operated.
33. Treatment of Foreign Vessels	Art. XX. National treatment of vessels and cargoes.	Art. IX. Provisions similar to those in Italian treaty.
34. Imports and Exports in Foreign Vessels	Art. XXI. No discrimination between national vessels and vessels of other party with respect to articles permitted to be imported or exported, and no discrimination in payment of bounties on goods imported or exported.	Art. VII. Provisions comparable to those in Italian treaty.
35. Loading and Unloading of Vessels - Coasting Trade	Art. XXII. Each party to permit vessels of the other to unload portions of cargo at one port and then to proceed to other ports with remainder. No rights accorded as to coasting trade or inland navigation.	Art. XI. Provisions comparable to those in Italian treaty except that in treaty with Norway, most-favored-nation treatment is to be accorded with respect to the coasting trade and inland navigation.
36. Transit	Art. XXIII. Freedom of transit for persons and property.	Art. XV. Provisions generally comparable to those in Italian treaty.